

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 EB-07 COME-00 TRSE-00 OMB-01 LAB-04 SIL-01  
SAJ-01 AID-05 /086 W  
-----050239Z 073861 /71

R 050021Z JAN 77

FM AMEMBASSY CANBERRA  
TO SECSTATE WASHDC 9574  
AMCONSUL MELBOURNE  
AMCONSUL SYDNEY  
AMEMBASSY WELLINGTON  
AMEMBASSY PORT MORESBY  
AMEMBASSY SUVA  
AMEMBASSY TOKYO  
USLO PEKING  
AMEMBASSY LONDON  
AMEMBASSY JAKARTA  
AMEMBASSY SINGAPORE  
AMEMBASSY BANGKOK  
AMEMBASSY KUALA LUMPUR  
AMEMBASSY MANILA  
CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 CANBERRA 0036

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: AS, PINT, MARR

SUBJECT: FRASER GOVERNMENT'S FIRST YEAR IN OFFICE - POLITICAL  
APPRAISAL

1. BEGIN SUMMARY: AFTER ONE YEAR IN OFFICE, THE LIBERAL NATIONAL  
COUNTRY PARTY COALITION, WITH A 55 SEAT MAJORITY IN THE LOWER  
HOUSE, IS IN A VIRTUALLY UNASSAILABLE POLITICAL POSITION. PRIME  
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MINISTER FRASER, ALTHOUGH NOT A HIGHLY POPULAR LEADER, IS LIKELY  
TO REMAIN IN OFFICE FOR THE FORESEEABLE FUTURE, LARGELY BECAUSE  
OF THE PRESENT LACK OF AN ACCEPTABLE SUCCESSOR WITHIN HIS OWN  
PARTY AND AN INEFFECTIVE OPPOSITION. IN FOREIGN AFFAIRS, THE  
GOA HAS GIVEN PRIORITY TO RELATIONS WITH THE UNITED STATES WHILE  
SEEKING TO BRING GREATER BALANCE INTO ITS RELATIONSHIPS  
WITH CHINA AND THE USSR. END SUMMARY.

2. ON DECEMBER 13, 1975 THE LNCP COALITION, LED BY PRIME MINISTER FRASER, WON ONE OF THE LARGEST VICTORIES IN AUSTRALIAN HISTORY. THE COALITION, WITH A 55 SEAT MAJORITY IN A HOUSE OF REPRESENTATIVES WITH ONLY 127 MEMBERS AND AN ABSOLUTE MAJORITY IN THE SENATE, WAS ELECTED LARGELY BECAUSE IT WAS ABLE TO SELL ITS IMAGE AS AN EFFECTIVE CONSERVATIVE GROUP BEST ABLE TO TACKLE THE PROBLEMS BROUGHT ABOUT LARGELY BY WORLD ECONOMIC CONDITIONS BUT EXACERBATED BY AN INEFFECTIVE, OFTEN STUMBLING, LABOR GOVERNMENT. ALTHOUGH THE TIMING OF THE 1975 ELECTION WAS FORCED ON THE ALP BY THE HIGHLY UNUSUAL ACTION OF A GOVERNOR-GENERAL DISMISSING A GOVERNMENT FROM OFFICE BECAUSE THE LNCP OPPOSITION REFUSED TO PASS A BUDGET IN THE SENATE, THE REAL CAMPAIGN ISSUES WERE INFLATION, UNEMPLOYMENT, LABOR'S POLITICAL SCANDALS AND THE GENERAL INCOMPETENCE OF THE LABOR GOVERNMENT IN OFFICE.

3. THE MAGNITUDE OF THE LNCP VICTORY PUT FRASER IN AN EXTREMELY STRONG POLITICAL POSITION AT THE BEGINNING OF 1976. OVER HIS FIRST YEAR IN OFFICE FRASER HAS, AS EXPECTED, PROVEN TO BE MORE CONSERVATIVE THAN MANY OF HIS LIBERAL PARTY COLLEAGUES (FRASER'S PRINCIPAL ADVISERS ARE FROM THE NCP: DEPUTY PRIME MINISTER ANTHONY, HOUSE LEADER IAN SINCLAIR, AND TRANSPORTATION MINISTER PETER NIXON). SOMEWHAT SURPRISINGLY, HOWEVER, FRASER HAS ALSO PROVEN TO BE MORE FLEXIBLE AND SOMEWHAT LESS TOUGH AND DOCTRINAIRE IN HIS POLITICAL STANDS THAN MANY POLITICAL OBSERVERS BELIEVED LIKELY. HE HAS BACKED AWAY FROM A NUMBER OF CONTENTIOUS ISSUES RANGING FROM MINOR QUESTIONS

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OF DENYING A SMALL BURIAL ALLOWANCE TO PENSIONERS, TO WITHDRAWAL OF A PLAN TO IMPOSE LICENSES ON TV SET OWNERS, TO DECIDING TO TURN AWAY FROM A CAMPAIGN PLEDGE TO ENFORCE SECRET BALLOTS ON UNION ELECTIONS. UNFORTUNATELY THE FRASER GOVERNMENT ALSO HAS PROVEN TO BE LESS CAPABLE IN MANAGING THE ECONOMY THAN MANY AUSTRALIANS HAD HOPED. THE CURRENT AUSTRALIAN SITUATION CONTINUES TO BE MARKED BY HIGH UNEMPLOYMENT, WHICH COULD BECOME EVEN HIGHER DURING 1977; INFLATION, AS REFLECTED IN COST OF LIVING STATISTICS WHICH WILL SHOW A SHARP INCREASE OVER THE LAST QUARTER OF 1976 BECAUSE OF THE TERMINATION OF GOVERNMENT FUNDING OF MEDIBANK ON OCTOBER 1; AND A GENERAL SENSE OF MALAISE IN THE BUSINESS COMMUNITY WHICH HAS NOT YET EXPERIENCED THE ECONOMIC RECOVERY IT HOPED FOR FOLLOWING FRASER'S VICTORY. THE GOVERNMENT'S RECENT HANDLING OF THE ECONOMY HAS COME UNDER SHARP ATTACK. SUCCESSIVE RE-EVALUATIONS OF THE CURRENCY HAVE FAIRLY CLEARLY DEMONSTRATED THAT THE GOVERNMENT'S DECISION TO DEVALUE BY 17-1/2 PERCENT ON NOVEMBER 29, 1976 WAS ILL-CONCEIVED AND EXCESSIVE. WE UNDER-

STAND THAT FRASER TOOK THE DEVALUATION DECISION WITHOUT REFERRING TO THE TREASURY AND WITHOUT FULL AND LENGTHY CONSULTATION WITH HIS CABINET. THERE HAVE BEEN OTHER INSTANCES IN WHICH HE HAS INTERVENED IN A DOGMATIC FASHION IN DECISIONS EFFECTING OTHER MINISTRIES. OTHER OBSERVERS VIEW FRASER'S BUDGET CUTS -- FOR EXAMPLE FOR ABORIGINAL AFFAIRS, THE ARTS, MEDIBANK -- AS ARBITRARY AND UNFEELING. FINALLY, MANY OBSERVERS BELIEVE THAT FRASER AND HIS GOVERNMENT HAVE FAILED TO PROVIDE A CLEAR SENSE OF DIRECTION FOR THE COUNTRY, AND THAT THEIR PERFORMANCE IN SEVERAL KEY AREAS HAS BEEN ERRATIC.

4. THE LATEST GALLUP POLL INDICATES THAT PUBLIC SUPPORT FOR FRASER GOVERNMENT HAS FALLEN MARKEDLY WITH THE COALITION AT 45 PERCENT AND ALP AT 50 PERCENT. IN DECEMBER 1976 THE ALP WON RE-ELECTION IN TASMANIA, SCORING A GAIN OF BETTER THAN 10 PERCENT OVER LAST YEAR'S FEDERAL ELECTIONS. (ALTHOUGH LOCAL ISSUES AND THE PECULIAR VOTING CONFIDENTIAL

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SYSTEM IN TASMANIA PLAYED A CERTAIN ROLE, THIS RESULT WAS GENERALLY TAKEN AS A SIGN OF DISSATISFACTION WITH THE FEDERAL GOVERNMENT. SEE CANBERRA 8954). IN THE PAST, THE LIBERAL PARTY HAS NOT PROVEN RELUCTANT TO CHANGE LEADERSHIP WHEN A LEADER'S POPULARITY BEGAN TO FALTER. THERE ARE RUMBLES AMONG SOME NEWLY ELECTED BACKBENCHERS WHO SEE THEIR SEATS SLIPPING AWAY BECAUSE OF FRASER'S UNPOPULAR CUTS IN SOCIAL WELFARE BENEFITS AND BECAUSE OF CONTINUING ECONOMIC PROBLEMS. HOWEVER, UNLESS THE SITUATION BECOMES MUCH WORSE, FRASER'S LEADERSHIP POSITION SEEMS SECURE. PARTY LEADERS STILL CREDIT FRASER FOR HIS ROLE IN OVERTHROWING WHITLAM LAST YEAR. IT WAS PRIMARILY BECAUSE OF FRASER'S STUBBORNNESS IN WITHSTANDING INTENSE PARTY AND PUBLIC PRESSURE THAT THE COALITION SENATORS STOOD FIRM LONG ENOUGH IN DENYING THE WHITLAM GOVERNMENT ITS BUDGET TO PERSUADE THE GOVERNOR-GENERAL TO DISMISS THE ALP FROM OFFICE. THERE IS ALSO NO OBVIOUS SUCCESSOR TO FRASER AS LEADER NOW IN THE LIBERAL PARTY. FOREIGN MINISTER ANDREW PEACOCK IS THE MOST LIKELY EVENTUAL SUCCESSOR. HOWEVER, HE HAS BEEN DOGGED BY MARTIAL PROBLEMS OVER THE PAST YEAR AND IS STILL VIEWED AS TOO IMMATURE FOR THE JOB BY A NUMBER OF HIS PARTY COLLEAGUES. PEACOCK'S SELECTION WOULD ALSO NECESSITATE A COMPLETE PARTY REALIGNMENT AND A MUCH LESSENERED ROLE FOR THE NCP.

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C O N F I D E N T I A L SECTION 2 OF 2 CANBERRA 0036

CINCPAC FOR POLAD

5. FINALLY, PERHAPS THE MOST IMPORTANT THING FRASER  
HAS GOING FOR HIM IS THE LACK OF AN EFFECTIVE OPPOSITION.  
THE ALP WAS DECIMATED IN THE 1975 ELECTION. IN WHITLAM'S  
OWN WORDS IT BECAME A PARTY OF QTE YESTERDAY'S MEN. END  
QTE THERE WERE 36 ALP SURVIVORS OF THE 1975 FEDERAL ELEC-  
TIONS IN THE HOUSE OF REPRESENTATIVES, MOSTLY AGING MEN  
FROM SAFE PARTY SEATS, MANY OF THEM VIEWED AS INEFFECTIVE  
AND DISCREDITED BY THE AUSTRALIAN ELECTORATE. IN THE AB-  
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SENCE OF ANY EFFECTIVE REPLACEMENT, WHITLAM REMAINS THE  
LEADERS OF ALP'S PARLIAMENTARY CAUCUS AND STILL SHOWS  
FLASHES OF THIS OLD STYLE. HE REMAINS THE MOST EFFECTIVE  
DEBATER IN THE PARLIAMENT. HOWEVER, FRASER, THE RATHER  
DOUR PLODDER, HAS BEEN ABLE TO SCORE EFFECTIVELY OFF WHIT-  
LAM IN DEBATES BY CITING AGAINST HIM THE INNUMERABLE PAST MISTAKES  
WHICH THE ALP MADE WHILE IN GOVERNMENT. AS

A RESULT, WHITLAM AND THE ALP HAVE HAD GREAT DIFFICULTY IN MOUNTING EFFECTIVE ATTACKS AGAINST THE FRASER GOVERNMENT. THUS GIVEN THE LACK OF AN EFFECTIVE OPPOSITION AND THE LACK OF A LOGICAL SUCCESSOR IN HIS OWN PARTY, WE BELIEVE FRASER IS LIKELY TO CONTINUE IN OFFICE FOR SOME TIME BARRING MUCH GREATER, UNEXPECTED ECONOMIC PROBLEMS.

6. IN GENERAL, FOREIGN POLICY, WITH THE EXCEPTION OF THE TIMOR ISSUE, WAS NOT A CONTENTIOUS ISSUE IN AUSTRALIA DURING 1976. FRASER'S GOVERNMENT HAS GIVEN PRIORITY TO RELATIONS WITH THE U.S. ASSIGNING PARAMOUNT IMPORTANCE TO THE ANZUS AGREEMENT. AS PART OF THIS ARRANGEMENT THE GOA HAS CONTINUED TO SUPPORT OUR USE OF DEFENSE FACILITIES IN AUSTRALIA; ONCE AGAIN PERMITTED NPW VISITS AND SUPPORTED OUR EFFORTS IN THE INDIAN OCEAN, OFTEN GOING FURTHER IN THEIR SUPPORT THAN WE HAVE ASKED.

7. IN HIS RELATIONS WITH THE OTHER GREAT POWERS, FRASER BEGAN 1976 DENOUNCING THE USSR IN VERY BLUNT TERMS AND COMING DOWN HARD ON THE SIDE OF THE CHINESE IN THEIR DISPUTE WITH THE SOVIET UNION. THERE WAS AN EMBARRASSING AUSTRALIAN LEAK OF A REPORT ON FRASER'S TALKS WITH HUA KUO-FENG WHEREIN FRASER SEEMED TO CALL FOR AN ALLIANCE BETWEEN THE U.S., CHINA, JAPAN AND AUSTRALIA TO COMBAT THE USSR'S POLICIES IN THE FAR EAST. IN RE RECENT MONTHS THE DEPARTMENT OF FOREIGN AFFAIRS HAS SOUGHT, WITH SOME SUCCESS, TO BRING AUSTRALIAN-USSR RELATIONS INTO BETTER BALANCE WITH A LESS PRONOUNCED TILT IN THE DIRECTION OF CHINA.

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8. THE FRASER GOVERNMENT HAS BEEN SUCCESSFUL IN DEALING WITH ITS NEIGHBORS, ESPECIALLY THE ASEAN NATIONS WHERE FRASER HAS MAINTAINED THE USEFUL DIALOGUES OPENED BY GOUGH WHITLAM, AND JAPAN WITH THE CONCLUSION OF THE NARA AGREEMENT. THE GOA ALSO HAS AGREED TO CONTINUE TO PROVIDE ASSISTANCE TO PAPUA NEW GUINEA AND HAS SUBSTANTIALLY INCREASED ITS AID TO VARIOUS SOUTH PACIFIC ISLANDS.

9. THE COALITION GOVERNMENT IS NOT OBLIGED TO GO TO THE ELECTORATE UNTIL DECEMBER 1978. IT IS MORE LIKELY THAT THE COALITION WILL SEEK RE-ELECTION IN MAY OR JUNE 1978 WHEN HALF SENATE ELECTIONS ARE NECESSARY, HOPING TO AVOID OFF YEAR LOSSES IN THE SENATE.

10. THE CONTINUATION OF THE COALITION GOVERNMENT IN OFFICE HAS OBVIOUS ADANTAGES FOR THE U.S. AT THE SAME TIME IT SHOULD BE RECALLED THAT THE AUSTRALIAN ELECTORATE IS VOLATILE. TWO STATES, NEW SOUTH WALES AND TASMANIA, ELECTED LABOR GOVERNMENTS DURING 1976 FOLLOWING LABOR'S OVERWHELMING

LOSS IN 1975 FEDERAL ELECTIONS. THERE IS A POSSIBILITY  
THAT WESTERN AUSTRALIA WILL ALSO RETURN A LABOR GOVERNMENT  
IN 1977. IVEN THE IMPORTANCE OF OUR LONG RANGE IN-  
TERESTS IN AUSTRLIA, THIS UNDERSCORES THE NEED FOR THE  
U.S. TO MAINTAIN FRIENDLY RELATINS WITH THE ALP EVEN  
WHILE DRAWING BENEFITS FROM OUR CLOSE TIES WITH THE PRE-  
SENT GOVERNMENT.  
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## Message Attributes

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**To:** STATE MELBOURNE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009